

**MINUTES
OF THE REGULAR MEETING OF THE
EDINA HOUSING AND REDEVELOPMENT
AUTHORITY HELD AT CITY HALL
APRIL 5, 1999 - 7:00 P.M.**

ROLLCALL Answering rollcall were Commissioners Faust, Kelly, Maetzold, and Chair Smith.

CONSENT AGENDA ITEMS APPROVED Motion made by Commissioner Maetzold and seconded by Commissioner Faust to approve and adopt the HRA Consent Agenda items as presented.

Rollcall:

Ayes: Faust, Kelly, Maetzold, Smith

Motion carried.

***MINUTES OF THE HRA MEETING OF MARCH 15, 1999, APPROVED** Motion made by Commissioner Maetzold and seconded by Commissioner Kelly approving the Minutes of the Regular HRA Meeting of March 15, 1999.

Motion carried on rollcall vote - four ayes.

LETTER OF INTENT AUTHORIZED FOR KUNZ/LEWIS REDEVELOPMENT Executive Director Hughes stated that on January 4, 1999, the HRA granted the West Metro Education Program (WMEP) 60 to 90 days to submit detailed plans and proposals with respect to the Kunz Oil/Lewis Engineering properties. The HRA directed that the cost of such plans and proposals be borne by WMEP, but authorized the HRA to retain the services of a financial consultant to assist in the evaluation of the TIF related issues. Executive Director Hughes explained that staff retained Ehlers & Associates for this purpose. He noted that the HRA had received two memorandums from Ehlers & Associates regarding project financing and tax increment financing analysis, in addition to a draft "Letter of Intent For Eden Avenue Redevelopment." Executive Director Hughes introduced Bill Beard of Beard Group, the development consultant retained by WMEP.

Bill Beard noted his firm is a small real estate brokerage development located in Hopkins. He added he is also an Edina resident. Mr. Beard introduced John Litchy, Jerry Ritter, Charles Knight and Frank Anderson from Setter Leach & Lindstrom; Terry Tofte, Edina School District Assistant Superintendent of Elementary Education & WMEP Site Director; Bob Shadduck, Jerry's Enterprises; David Kramer, Hennepin County Library; Mary Swatosh, retired Edina Community Librarian; and Mary Wattson, Edina Community Librarian.

Mr. Beard reviewed that in December of 1997 WMEP submitted two different proposals to the City of Edina as part of the Requests For Proposals for the Kunz/Lewis site. One proposal was for a WMEP School located only on the Kunz/Lewis site; and a second proposal was a joint venture with Jerry's Foods that would have incorporated the Edina School Bus Garage and the Kunz/Lewis site. The second proposal would have moved the bus garage to the Kunz/Lewis site with Jerry's Foods redeveloping the present bus garage site. Mr. Beard said that since December 1997 the WMEP concept has evolved to include some other public uses in addition to the WMEP Magnet School. The additional public uses include: A Senior Center, a Hennepin County Community Library, either two or four gymnasiums, a performing arts theater (part of the school), the Edina School Bus Garage, and enhancement to Sherwood Park (active and passive). The current proposal is a mixed use development involving four units of government and a private sector developer. Mr. Beard said they began to revise the concept site plan in a collaborative effort with all the project participants' representatives including: Hennepin County Library, City Staff, Edina School District, and Jerry's Foods. Once they developed a site plan addressing the issues of the parties involved, they began exposing the plan to the community. Mr. Beard said that March 1, 1999, the development team met with the neighbors whose property bordered the proposed development. On March 4, 1999, a larger

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neighborhood meeting was held with about fifty in attendance. Mr. Beard reported that approximately half the neighbors' questions dealt with the development and the other half dealt with WMEP; what WMEP was about and how the proposed elementary school would function. At that point the development team decided there was a need for additional informational meetings before coming to HRA. WMEP held a community meeting on March 24, 1999. This was in addition to a presentation to the Edina School Board and a meeting with the Edina HRA members and staff. Mr. Beard reported that through this process they have received valuable feedback that has been and is still being incorporated into the concept plan. Mr. Beard said the developers will be presenting a concept redevelopment plan for the Kunz/Lewis site. Included in the proposed redevelopment would also be the following: 5244 and 5201 Eden Circle (the properties referred to as Tags and the Noonan Construction building), the Edina School Bus garage, and the Car Wash site, which would be the portion of the redevelopment involving Jerry's Enterprises. Mr. Beard stated it was the developers' hope that after the HRA viewed the Concept Plan and heard all the testimony, they would authorize entering into a Letter of Intent and move forward into a formal review process. He indicated WMEP intends to begin the rezoning and conditional use permit process almost immediately, ending up in late August to early September 1999. Construction would begin for the WMEP School during late spring of 2000 with full project completion in the fall of 2001. Mr. Beard said that Jerry's would proceed on a separate but similar timeline.

Chuck Knight, Architect, explained the development team attempted to design a "community destination place" incorporating the various components: WMEP School (including two gyms and a performing arts center), Senior Center, Hennepin County Library, and the Edina School Bus Garage

He illustrated the proposed redevelopment using graphic boards depicting the WMEP School, Senior Center, the Library, the theater and two gymnasiums. The Edina Bus Garage would be located underneath the parking deck for the previously noted components. Mr. Knight said that Sherwood Park would be enlarged and enhanced so that it could serve both the Richmond neighborhood and the WMEP School. He added that an attempt would be made to screen the railroad and the parking areas from the community. Mr. Knight reviewed the size of the various components in the WMEP proposal as follows:

- WMEP School Grades K-5 96,000 square feet
- Two full size gymnasiums 14,000 square feet
- 300 Seat Theater 9,600 square feet
- Senior Center 15,000 square feet
- Library Hennepin County 20,000 square feet
- School Bus Garage 56 space bus parking plus 4,400 square feet administration

Dr. Terry Tofte said he appreciated the opportunity to speak with the HRA regarding WMEP. He assured the HRA that the total cost of the WMEP School component of the proposed development will be borne by the State of Minnesota, causing no drain on the Edina School District or the resources that come to the District. The operating cost for the WMEP School will come as tuition following students attending the school. Participation in the WMEP School is voluntary. No Edina student or student from any of the other eight member districts will be required to attend the school. They will attend the school based on their family's perception that it meets the needs of a particular student. The WMEP School will be overseen administratively by Edina School District's Administration. The WMEP School's academic standards, standards of decorum, and facility standards will meet the Edina School District in all respects. Dr. Tofte noted that Edina's elementary schools have been analyzed, and the WMEP School as proposed is comparable in size to the existing schools, excluding the second gym and theater. Dr. Tofte said the site is adequate to house the school, both relative to square footage and playground space. He pointed out that the City and School District share facilities at both Creek Valley and Cornelia School. The WMEP School would share Sherwood Park adding almost one acre to the park.

Commissioner Faust stated she felt the Kunz/Lewis site is very cramped for a school alone. The portion of the site designated to the WMEP School, even with the Tags and Noonan properties, still only has six acres. She pointed out that the two schools that share parkland with the City have 17 and 14.53 acres of property. The WMEP School has less than half the space as the two schools that share parkland. Commissioner Faust felt the comparison did not fit the situation. Dr. Tofte replied that the comparison he had presented looked at programming space and with the two large gymnasiums the school captures adequate room for recreational free time activities appropriate for elementary age students not available at the other schools. He added that in balance the District staff feels the Kunz/Lewis site is more than adequate to meet the needs of the proposed WMEP School and program.

Commissioner Kelly asked how much square footage the parking area contained. Frank Anderson answered that there are 341 parking spaces and approximately 135,000 square feet.

Commissioner Faust said when she attended the neighborhood presentation, she heard that only ½ acre of Sherwood Park would be used for the playground. Commissioner Faust stated she found it surprising that the plan was to have 600 students using only ½ acre of playground. Dr. Tofte said he did not recall that comment. He added that the programming for the playground has not been completed, so he does not feel he could give an accurate answer regarding how much of Sherwood Park would be used for playground.

Commissioner Maetzold asked if the WMEP School intended to use the entire park for recreational programming. Dr. Tofte replied that he believed the school would be using the park. Commissioner Maetzold asked if any special amenities were envisioned for the park. Dr. Tofte said that the programming has not been determined yet, but City Staff would be included in the planning. Commissioner Maetzold asked what kind of academic curriculum is planned for the WMEP School. Dr. Tofte replied that the intent is to use Edina's academic infrastructure to develop a program for the WMEP School. They hope to use Edina's curriculum, standards for performance and systems of assessments in the basic skill areas of reading, writing and mathematics. There will be enhancements to the programs to make the school attractive as a magnet school. The things that appear of greatest interest to the community are: enhanced arts programming as a way of delivering multi-cultural education and also a commitment to the acquisition of a second language. Commissioner Maetzold asked if the proposed WMEP School campus size is more typical of an urban elementary school setting. Dr. Tofte replied that the Kunz/Lewis site is between a typical urban and suburban location.

Bill Beard reviewed the parking analysis compiled by Benshoof and Associates. The analysis showed a peak demand of 299 parking spaces occurring between 3:00 p.m. and 5:00 p.m. He reported that with no cross-parking agreements; Edina Code requires 382 spaces on-site. Although the site could provide the required 382 spaces, the proposal recommends 340 based on the previously mentioned parking analysis. Mr. Beard explained the parking has been located on the site to accommodate the different uses, so it actually is in three levels, with the top level accommodating the Senior Center and Library. The middle area would park the theater and gyms, and the lower level would house the school buses and offer circulation for school drop-offs and pick-ups. In addition, the parking shown at the west edge of the site does not provide the required ten foot setback from the property line. Mr. Beard explained the Benshoof firm was also directed to look at trip generation--how much more traffic the development would add to the area. The study's conclusions were separated into A.M. Peak Period and P.M. Peak Period. The A.M. Peak Period shows approximately 150 more trips coming into the site. During the P.M. Peak Period (5:00-6:00) the development would generate 200 more trips. Mr. Beard reported that the traffic potential analysis projected that all components of the development would need to be operating simultaneously to generate the peak trips. He noted that in reality, not all components of the development would be fully utilized at the same time, so most likely the traffic generated will not be as high as the traffic analysis shows.

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Mr. Beard said that Benshoof also had reviewed the neighborhood impact and particularly Sherwood Road as it connects to Link Road and Eden Avenue. Mr. Beard said the study concluded that there would not be any real impact on the neighborhood because of the redirection of the traffic on Eden Avenue. The developer would add parking to Eden Avenue and Link Road if needed.

Chair Smith noted the parking analysis shows that the greatest need for parking runs through 6:00 p.m. He asked if the developer had given any thought to using parking to the north (perhaps from Jerry's) instead of south towards Sherwood Park. Mr. Beard replied that the developer has had discussions with Jerry's. Jerry's concept plan at this time provides for 72,000 square feet of office and about 18,000 square feet of retail. The retail would be on the first level, and they would extend a parking deck out over where the car wash is currently located for retail parking. Underneath this deck there would be parking for the office building. The WMEP developers have had discussions about the possibility of using Jerry's parking in case WMEP needs additional parking.

Commissioner Faust pointed out that the traffic analysis did not include any provision for day care trip generation. She stated that in Edina about twenty percent of children in elementary school are in day care provided by the school. These children are picked up between 5:00 p.m. and 6:00 p.m. This would mean approximately 100 car trips in and out each day that have not been considered in any analysis. Mr. Beard responded stating that the Benshoof study and the developers' proposal concentrated on two different things. The developer looked at what Edina Code required and then what were the current circumstances and the desired outcome. Mr. Beard said the development proposal attempted to provide for the most conservative approach. He added that the Benshoof study looked at A.M. and P.M. Peak Period traffic counts, analyzed the data, and generated their report.

Commissioner Faust stated she had a problem with the parking requirements as portrayed by the development proposal. She asked Planner Larsen to explain why the proposed expansion of Cornelia School required more parking spaces than the larger WMEP School. Planner Larsen explained that the Cornelia School parking was calculated on the largest area of assembly used for events. He added that both standards could apply, and it would be an HRA decision which to use for the WMEP proposal.

Commissioner Faust said that according to her calculations the development would require 450 parking spaces, not the 340 quoted by the proponent. Mr. Beard interjected that the WMEP proposal contains amenities (theater and additional gymnasium) the community desired at the location. If these amenities become problematic to the development they can be removed. He cautioned that the theater would most likely not demand independent parking of the school.

Chair Smith stated that the issue seemed to him not whether the site is short parking, but rather how much of a shortage, if any, can be tolerated.

Commissioner Faust pointed out that the traffic report stated twenty-four spaces cannot be used during the daytime hours when they are most needed. These spaces are located in the bus turn-around, which leaves an even greater shortage. Chair Smith acknowledged Commissioner Faust's concern and noted this was why he had suggested seeking additional parking north of Eden Avenue. He believes that questions should be posed to the developer and then the developer should be allowed to answer the concerns. Until this has happened, Chair Smith stated he would not discount the proposal.

Commissioner Faust stated that according to Edina's regulations; the WMEP proposal would be 124 spaces short. She added that the Benshoof report stated on page nine that the layout of several the parking rows and aisles would cause awkward circumstances and would have to be changed in the final analysis. Commissioner Faust said this report is telling us even more parking will need to be

eliminated to manage the traffic flow, causing an even greater parking shortage than the 120 space shortage already apparent.

Chair Smith asked if anyone from Hennepin County would like to address the development. Executive Director Hughes introduced David Kramer, Hennepin County Library Board. Chair Smith stated his understanding that the HRA would construct a new Hennepin County Community Library on the Kunz/Lewis site, then the City would purchase the existing Hennepin County Community Library as essentially a land trade for the new building. David Kramer stated the Hennepin County Library Department is very interested in the project. He added that Charles Brown, Hennepin County Library Director; was unable to attend due to illness. However, Mr. Kramer said that Hennepin County views the WMEP proposal as an opportunity to provide better library service to Edina citizens. The new library would be larger and have different types of programming utilizing modern technology. Mr. Kramer added that Library staff has met with Commissioner Tambornino, and she also supports the project.

Commissioner Kelly asked if the figures from the WMEP proposal are advisory only. He understood the proposal to say that the HRA would construct a new library at an approximate cost of \$2,800,000.00 with an understanding between the library and City, that the construction costs of the new library would be roughly equivalent to the appraised value of the existing library. Executive Director Hughes said the new library would be around 20,000 square feet, while the existing library is approximately 14,000 square feet and would appraise at far less than the construction cost of the new library.

Commissioner Faust asked if tax increment financing (TIF) funds could be used to building a library. Executive Director Hughes replied that a library could be built with TIF funds. Chair Smith clarified that the law assumes a perceived benefit to the public from having a library built.

Mr. Kramer added that the existing library is approximately 16,000 square feet. Commissioner Kelly asked if Hennepin County had an appraisal for the existing library. Mr. Kramer stated that an appraisal had been completed in late 1998, and the existing library's value was \$1,100,000.00. Commissioner Kelly asked where the proposed \$2.8 million construction costs have been derived. Mr. Kramer replied that Hennepin County has been using \$130 per square foot for construction when a new library is constructed by the County. The WMEP proposal's library could be less, due the shared development costs.

Commissioner Kelly expressed concern over the HRA spending \$2.8 million to construct a new library and receiving only a building worth \$1.1 million. Executive Director Hughes replied that this was one of the issues to be decided by the HRA. He added that using TIF fund that are approximately thirty-five percent County tax dollars to build the new library would perhaps help balance the inequities.

Chair Smith pointed out the HRA has in the past participated financially in development, such as building parking ramps in the 50th and France area. He added that many dollars have been spent enhancing the public good. The policy issue the HRA must decide is whether or not and how much involvement the HRA should have in the WMEP development. Commissioner Kelly said he does not have a problem with HRA participation, but he does have concern with swapping a Mercedes for a Ford.

Chair Smith asked that a spokesperson from Edina Schools indicate their position on the School Bus Garage portion of the proposal. Dr. Tofte said his understanding was that the Board of Education is interested in moving the Edina School Bus Garage, if and only if the WMEP project moves forward. If the WMEP project moves forward, the School Board would be committing the District's capitol resources to cover the excess between dollars realized from the sale of the existing bus garage and construction of a new garage.

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Commissioner Maetzold asked if a new bus garage were constructed would the school buses be fueled on site. Dr. Tofte answered that he believed the City had indicated a willingness and ability to allow fueling of the buses at their public works locations. Executive Director Hughes confirmed that the possibility was under investigation of allowing buses to fuel at the City's facility that has been newly constructed. The fueling site size and card access capability to account for the fuel would accommodate both users.

Commissioner Kelly expressed his disappointment that Dr. Dragseth or a representative did not attend the meeting to discuss the proposal. If the School District felt so strongly about the WMEP development they should appear and discuss the issues. He continued that his understanding had been that the School District was so interested in seeing the WMEP proposal move forward that they were willing to give the existing bus garage to the City to further the development. Now, in looking at the initial financial analysis, he found the School District would be paid \$1,020,000 for the existing bus garage.

Chair Smith stated he understood the \$1,020,000 to be a pass-through and not a City or HRA expense. The HRA was merely facilitating passing the title from one development participant to another.

Commissioner Maetzold noted that Dr. Dragseth was not present because he was accompanying Edina High School band students on a trip to Hong Kong.

Chair Smith noted the last element of the WMEP proposed development was the City of Edina Park Department's Senior Center. Executive Director Hughes said that the City had some pre-design studies from an earlier time. Using the studies, a typical senior center would require approximately 15,000 square feet. This would be a fifty percent increase over what the Senior Center located in the Edina Community Center uses. The program elements were developed in consultation with the Senior Advisory Council. It is also believed that the advantages of constructing a Senior Center adjacent to a library and theater add considerably to the usable space. The \$1,800,000 estimated cost was based on these pre-design studies (completed about a year ago).

Commissioner Faust questioned if TIF funds could be used to build the Senior Center. Executive Director Hughes answered that TIF monies may fund construction of a Senior Center.

Chair Smith asked Bob Shadduck, Jerry's Enterprises, to tell the HRA conceptually what Jerry's involvement would be in the WMEP proposal. Chair Smith also asked Mr. Shadduck to comment on the pass-through of the school bus garage site purchase to the private developer. Bob Shadduck, Jerry's Enterprises, stated that his organization has been actively involved with the WMEP group on the Concept Plans. They have also hired Setter Leach to do some concept work for Jerry's Enterprises. Mr. Shadduck stated he believed it would be premature to discuss economics at this time. He said they are very interested in working on the project. Mr. Shadduck added that his organization believes the redevelopment is workable and would like to move ahead if they have a chance.

Chair Smith clarified that there has been no incentive discussed between the HRA and Jerry's, and that if Jerry's Enterprises moves forward in working out a deal with the Edina School District, the City would not be involved in purchasing the bus garage. The HRA may facilitate the purchase, but would not fund it. Mr. Shadduck confirmed that nothing had been offered or discussed by the HRA. Jerry's has been asked if they are interested, and they are stating this desire to be involved.

Commissioner Kelly asked Mr. Shadduck if he was aware of any appraisals existing on the bus garage. Mr. Shadduck replied that he did not know of any existing appraisals and that Jerry's had not done any either. Executive Director Hughes noted that the HRA had done some value opinions on the bus garage about three or four years ago. He added that the Ehlers' cash flows were an

attempt to show what would be the maximum TIF dollars that can be absorbed by the Grandview District. For this reason, it looks like properties such as the bus garage would be purchased for a price higher than they would be resold to a developer. However, staff has not made any negotiations; this was put together for illustration only. The HRA would need to make a policy decision, then direct staff in what approach they wish to pursue.

Chair Smith asked if when parking was previously installed on the north side of Eden Avenue, was it done only with HRA funds or was there participation by the property owners. Executive Director Hughes replied that he believed there was participation in the form of a special assessment of approximately twenty per cent of the cost of the parking. Bob Shadduck confirmed this was correct. Chair Smith asked if the parking by Jerry's was considered public parking. Executive Director Hughes confirmed that the parking installed behind Jerry's was considered public parking. Chair Smith commented that this could be one way to solve the parking shortage from the WMEP proposal.

Commissioner Faust expressed concern using the north side of Eden Avenue for parking the WMEP site. She said if the north side of Eden would be developed with a maximum commercial development, it will need all its own parking. Letting the WMEP site park on the north side would not be feasible because the parking would be needed at the same time.

Chair Smith noted the participants in the proposed redevelopment were: WMEP with the School, gymnasiums and a theater; Edina School District with a new bus garage site on the south and selling their existing bus garage site to a private developer; City of Edina with a Senior Center and Sherwood Park expansion; and finally Hennepin County with a new library. Chair Smith asked if anyone was available from Ehlers & Associates. Executive Director Hughes said that Rusty Fifield was in attendance. He directed the HRA to the preliminary findings and conclusions on page 3 of Mr. Fifield's memo, subject WMEP Project, dated April 2, 1999.

Chair Smith suggested beginning by discussing the sources and uses of funds as outlined in Mr. Fifield's memo; and asked what made up the "Improvement/Contingency" amount of \$1,200,00. Executive Director Hughes stated it would include the cost of upgrading the streetscape on Eden Avenue, contingencies on the project, and any soft costs associated with things such as redevelopment agreements. He said he used an estimate of ten percent of the total project in that category.

Chair Smith asked if Mr. Fifield's report took into consideration the HRA's holding costs for acquiring the Kunz/Lewis site. Mr. Fifield replied that in the cash flow analysis the holding costs were factored into the report. He continued stating that there was a repayment of the internal borrowing that the HRA incurred acquiring the Kunz/Lewis properties. The debt is repaid with interest as part of the overall flow of funds for the project. The funds used to make the debt payment would be from the sale of the property to WMEP and the issuance of bonds. Mr. Fifield added that Ehlers' memos are very broad and general. Because of the preliminary nature of the project, the finance plan is very conservative in its assumptions. Ehlers has attempted to assess the maximum capacity to participate in the project and also identify the key points of the transaction, allowing for understanding of how these points need to come together to have the project successful for the HRA.

Mr. Fifield said Ehlers had attempted to preliminarily identify the elements where the HRA would spend money, the sources of revenue received, and put this information into a cash flow that would span the life of the HRA's financial commitment to the project. The assumptions used were very conservative--the Tax Increment projections assumed the existing values in the Grandview TIF District with no growth for either new development or the inflation of property, a reasonable estimate of what might be developed on the bus garage site when it is redeveloped, and as the analysis points out that redevelopment is an essential part of the project. The HRA's participation would not be financially feasible simply on the basis of the existing TIF in the Grandview District, but would rely

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on a public/private venture to cause the Kunz/Lewis, Noonan and Tags properties to be developed as WMEP is proposed and then private development to occur on the current bus garage site. The combination of those resources would then provide the results that were presented in the Ehlers' memo. Mr. Fifield highlighted the results graphically for the HRA, showing the results of the cash flow analysis accompanying the Ehlers' memo. The Grandview TIF District maintains strong cash balances, but towards the end of its life, the balances start to dip down to the \$600,000 - \$800,000 level, which is a significant amount of money, but given the changes seen in the property tax system, Ehlers believes those levels become minimum levels for prudent cash flow protection since the HRA is being asked to incur debt to facilitate the WMEP project. Ehlers believes that the cash flow projections are conservative and demonstrate the elements of a project that is financially feasible for HRA participation.

Commissioner Maetzold asked if the bond issue would be totally amortized by the year 2010; how were the potential values derived in the analysis; and how would the City finance the funding for the acquisition of the existing library or perhaps the construction of a third gymnasium on the WMEP site.

Mr. Fifield said the last bond payment would be February of 2010. Executive Director Hughes explained that the values used in the analysis were estimated market values from the City's Assessing Department. Executive Director Hughes explained that the cost of acquiring the library, remodeling it and City Hall would likely be the subject of some additional debt. It could possibly be in the form of HRA lease/revenue bonds or if the HRA so desired could be General Obligation Bonds following a referendum. Executive Director Hughes said financing a third gym could be financed in the same way, and that it is still a little too early to tell if an additional gymnasium would be tax increment feasible. Gyms are eligible, but at this time it is difficult to tell if the District could support its financing. Commissioner Maetzold asked if a referendum is the only alternative to finance the City's portion of the project. Executive Director Hughes said that could be one alternative, but it would not be the only one available.

Commissioner Faust stated that financing has been her main concern about the entire project. She said that there appears to be a consensus that the library and senior center are wanted. Then taking the first page of the Ehlers' report she divided the Kunz/Lewis property into a per acre price of \$344,000. Member Faust said that allocating the library and senior center three acres leaves WMEP with six acres using Kunz/Lewis, Noonan, and TAGS. According to these calculations, WMEP would pay the HRA \$3,000,000, then the HRA would pay \$4,444,000 for the same property. The Edina School District would give up two acres for the existing bus garage site and acquire another two acres on the other side of the street. The HRA paid \$750,000 for the two acres, and the School District would pay the HRA \$280,000 for the same two acres if the assumptions are correct. Commissioner Faust said the Ehlers' report assumed that the HRA would acquire the bus garage for \$1,020,000 and sell it to Jerry's for \$700,000. Based on her calculations, the City would be short, just on land costs, \$2,214,020. Mr. Fifield acknowledged the difficulty of interpreting his report. He explained the methodology that Ehlers used to determine that there would be sufficient money to pay for all the costs presented in the proposal. Mr. Fifield said that in the context of cash flow analysis, Ehlers had laid out all of the money that would be expended, all of the monies that would be received, and all monies necessary to amortize the money borrowed to pay for things that are not paid up-front. That analysis indicated that by the time all of the obligations are satisfied, the HRA would still have an amount of money in excess of half a million dollars left.

Commissioner Faust said that she was surprised that the HRA would need a bond in the amount of \$7,140,000 and asked how the HRA would pay the bond back. Mr. Fifield replied the bond would be paid from the existing Grandview TIF District Revenue and the new TIF revenue expected to be generated from the redevelopment of the bus garage site. Commissioner Faust clarified that the monies would not be coming from the taxpayers. Mr. Fifield affirmed her understanding, stating that none of the money that was contemplated in the finance plan would be coming from the taxpayers.

Commissioner Faust asked if Ehlers had analyzed the potential tax revenue for each of the proposed developments the HRA previously received for the Kunz/Lewis site. Mr. Fifield answered that it was his understanding the HRA had received the analysis Ehlers had prepared for the property being developed on both a taxable, and a tax exempt basis. Executive Director Hughes explained that Ehlers had been asked to test the affordability of the WMEP proposal. He explained that Ehlers used numbers given to them by staff to attempt to show the feasibility of the project if the maximum tax increment was going into the deal. They were asked if the project which was totally tax exempt would still be affordable from a TIF standpoint. The conclusion of the analysis was that the project could be feasible, but only if more taxable property is developed within the district. The taxable development that Ehlers assumed was the one Jerry's is contemplating. This development would generate taxes based upon 92,000 square feet of area. Ehlers was asked to analyze whether or not there was enough increment coming out of the district as it exists today to finance the project. The answer was no, more private development is needed somewhere in the TIF district to generate enough cash flow to pay for all the public costs. He pointed out that the numbers used in the cash flows are not negotiated numbers but only hypothetical numbers designed to test the affordability of the district.

Chair Smith discussed the implications of developing the property without using TIF. It was pointed out that the Ehlers' memo on the subject Property Tax Implications was based upon the assumption that the Grandview Tax Increment District ceases after 2010. Without use of TIF funds to develop the property, it was estimated the area would generate approximately \$315,000 annually in taxes due to fiscal disparities. Using TIF funds in the district would allow capture of approximately \$1,000,000 annually until 2010 to be used for the redevelopment's public projects allowed under Tax Increment Financing law.

Commissioner Faust maintained her belief that there would be other allowable uses for the TIF funds generated by the Grandview District if the WMEP proposal does not move forward.

Commissioner Kelly asked if the increment from the Grandview District had ever been pooled with other districts as with some of the TIF districts. Executive Director Hughes explained that the Grandview TIF District has always been a stand alone district and had never been pooled.

Commissioner Maetzold commented that if the discussion is talking about properties north and south of Eden Avenue, it should be realized that without moving the school bus garage there is little likelihood of the redevelopment occurring on the north of Eden.

Chair Smith asked for a list of what tax increment monies may be used to fund. Executive Director Hughes replied that tax increment may be used to: acquire land within the redevelopment area; public redevelopment costs including the costs of improving rights-of-way, utilities, parking facilities and the like; social, cultural, and recreational facilities such as the senior center or the library. TIF funds cannot be used for: bricks and mortar of private buildings; lands or buildings used primarily for the conduct of government (i.e. the new school bus garage, or acquiring the existing library next to City Hall).

Commissioner Kelly stated that from the beginning he thought the proposal has some nice features; however, he expressed concern with the numbers reported this evening. He added he understood the dollars were estimates and projections. He stated that he believes the acquisition costs should be borne proportionally to the land occupied by the school. According to Commissioner Kelly's calculations that would be 73.5% borne by the WMEP School and Edina School District and 26.5% borne by the City. Commissioner Kelly stated as he understood the project, WMEP and Edina School District wanted the first right of refusal for the property. In return, they will need to give the HRA the current bus garage and acquire the land (for the HRA's cost). The construction project will include a performing arts center and two gymnasiums that the City would be able to use. Further, if the WMEP program were discontinued, the property would revert to either the School District or the City. This would be how Commissioner Kelly would expect the project to move forward. He said that

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according to his calculations the school's portion of the property would be 96,600 square feet and that the library and senior center would occupy 35,000 square feet. These numbers do not factor in either the parking or the park. This calculates to a land break-out of 73.5 percent for the school and 26.5 percent for the City. If this is applied to land acquisition costs less the estimate for what the developer would pay, \$5,444,000 appears to be the land acquisition cost. Based on the figures shown to the HRA, WMEP and the School District are not paying their 73.5 percent. He calculated that they would be about \$735,000 short. Commissioner Kelly stated he expected the money to be made up by WMEP and or the School District and not borne by the City.

Commissioner Kelly added that he would not authorize signing a Letter of Intent without a term that adequately reflects the agreement with respect to the deed restriction. If WMEP is discontinued as a program and the building ceases to be operated as a WMEP School, the property must come back to either the City of Edina or the Edina School District. Look at the project to assure that the City is not shouldering an unfair portion of its financial burden.

Chair Smith asked if Commissioner Kelly had factored in parking or parkland expansion. Commissioner Kelly answered no. Chair Smith asked if the calculations had included the City's right to use either the theater or gymnasiums. Commissioner Kelly replied that he had not because his understanding of the proposal was that the City would have the right to use the theater and gymnasiums in exchange for allowing the developer first right of refusal on the land.

Commissioner Maetzold stated he shared Commissioner's Kelly concern regarding the value of the property, especially since the City would need to acquire additional property. However, he does not have a precise amount or ratio in mind. He stated he believed he would provide credit for the gymnasiums and the performing art center. Also he believed there is real benefit to the cash flow that will be generated by the development of the north side of Eden Avenue. He said he must think through the give and take the project would have for the City. Perhaps, he would be willing to enter into some preliminary negotiation relative to the land value. Commissioner Maetzold added that he agreed with Commissioner Kelly regarding the modification to the Letter of Intent to reflect the deed restriction in the event the WMEP School ceases to operate. Commissioner Maetzold also stated the Letter of Intent should reflect who has jurisdiction for management of the gymnasiums and the theater.

Commissioner Faust stated that the School District was correct in stating at their community meetings that they would not bear any costs related to WMEP. She believes the City would be bearing all the costs (for example between \$735,000 and \$2,000,000 on land acquisition) and the City would also give up TIF funds that could be used for many areas in the Grandview District where the ten million dollars could be spent. Commissioner Faust also believes the site would be over developed. There would be no green space, it would be about ten acres of pure concrete. She does not believe that the proposal would be the optimum development for the property. Commissioner Faust expressed grave concern over the parking shortage she sees in the proposal. She has great reservations about the proposed development.

Public Comment

Lisa Finsness, 4536 Tower Street, said in her opinion more long range planning was needed. The site has not been designed with either pedestrian or bike paths. She advocated instead of a Senior Center, a multi-generation center. Ms. Finsness stated she believed moving the Police Department to the current library site is short sighted. She urged the HRA to consider more alternatives before jumping into this decision.

Art Heiam, 5205 Richwood Drive, said he wanted to hear answers to his questions before the City made a commitment to WMEP. Mr. Heiam wanted to know if the WMEP proposal was the only proposal being considered and if traffic issues have been reviewed and resolved. Mr. Heiam added that Frauenshuh has passed handouts in his neighborhood. Chair Smith explained that at this time

the WMEP proposal is the finalist being reviewed. He noted that if the proposal does not move forward, the City would most likely entertain other development proposals. Engineer Hoffman stated that part of redevelopment review includes an analysis of traffic issues, so this would be done if the WMEP redevelopment moves forward.

Pat Stinson, 5236 Richwood Drive, expressed concern relative to parking and the financial impact of the proposed redevelopment. He urged the HRA to keep more developers available and suggested looking at more ideas.

Ardis Wexler, 4913 Larkspur Lane, stated she currently chairs the Edina Human Relations Commission, and in her opinion it has become evident in the last few years that the facilities proposed by the WMEP are needed in Edina. Ms. Wexler added that she also has served as president of parent teacher organizations at the elementary, junior and senior high level with Edina Schools. She stated this experience has helped her to favor the educational aspects of WMEP. She continued that professionally, she believes TIF financing can be attained for the WMEP proposal. Ms. Wexler acknowledged that problems still need to be resolved with the WMEP proposal, but urged the HRA to approve the project and move it forward.

John Wanninger, 6900 Paiute Drive, urged that the HRA only use the Kunz/Lewis site for the best and highest use of the property. In Mr. Wanninger's opinion that would be a commercial venture, not a public use. He suggested that a better location for gymnasiums would be adjacent to the Braemar Arena where considerable unused land exists. Mr. Wanninger suggested that public facilities should be constructed on land that already is tax exempt, such as parkland or school locations. He also asked if an analysis has been completed of the other twelve proposals the City received. Chair Smith stated that the two gymnasiums and theater are in the proposed project because the City asked that they be included.

Mark Ritter, 6338 Valley View Road, stated he was a tenant at 5224 Eden Circle. He asked what consideration had been given to relocation of the tenants at the Noonan and Tags buildings. Mr. Ritter questioned the value of 5224 Eden Circle. He noted it was stated as \$720,000, but in his opinion it should be much higher. Mr. Ritter added that there are five Edina businesses located in the building that will have a difficult time relocating. Chair Smith replied that the value was not an appraised value, but rather the estimated market value from the City's Assessing Department. Chair Smith explained that the proposal is still in its very early stages and values have yet to be investigated, but an appraisal will be completed when necessary. Executive Director Hughes added that if the project moves forward, then the required relocation would be pursued as needed. Commissioner Kelly questioned whether the value stated for the Noonan property was an assessed value or an appraised value. Executive Director Hughes replied that the value was not from an appraisal, but the assessed value.

Nick Boosalis, 5704 Woodland Lane, questioned the parking issue for the WMEP proposal. Mr. Boosalis asked if the City allows private developments to "borrow" parking from adjacent sites. He added that he is also a tenant of the Noonan property and stated that in his opinion, as a real estate developer of fifteen years, the value of 5244 Eden Circle should be at least \$1,200,000. Executive Director Hughes replied the City's Zoning Ordinance permits leasehold parking off the main site to satisfy parking requirements, for example such the Edinborough Park and office building where parking is shared through an easement arrangement.

Kathy Iverson, 5410 York Avenue, stated the WMEP project has a great appeal for her. Ms. Iverson said from the community standpoint; the theater is needed for parent forums. The Edina High School auditorium seats 700, while parent forums run between 100-200. The 300-seat theater would be ideal for this need. Ms. Iverson pointed out an article in the daily paper regarding brain power in Minnesota. She stated that Edina is being called upon to take a look at our potential influence in the Metropolitan area, in terms of really developing quality educational programs for all our children. Ms. Iverson added that Edina needs this development and questioned whether the Edina Friends of the

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Library have taken a stand. Ms. Iverson noted that she believes that Senior Citizens have indicated a willingness to share the use of their space with some flexibility.

Jane Fuegner, 5225 Kellogg Avenue, asked if there was any idea of a time frame when the proposal would be voted on by the HRA. She asked if the City would wait until after the legislative session ends. Chair Smith replied affirmatively, adding that the Letter of Intent would give weight to the legislative appeal.

Elaine Peterson, 5236 Edenmoor Street, voiced concern about Sherwood Park. She does not want the WMEP School in the Richmond neighborhood. The City should wait to see if the magnet schools are feasible. Ms. Peterson expressed concern that the WMEP school will bring an increased demand for police services, and that traffic will increase. Chair Smith reminded Ms. Peterson that the Edina HRA will be reacting to a land use proposal, not acting as educational policy makers. He added that he could not see why there would be any increased demand for police service and that traffic will be rerouted because of the development and handled in the best way feasible for the location.

Ann Olk, 5315 Pinewood Trail, expressed concern regarding the density. Ms. Olk said with the amount of brick and mortar and lack of green space, the development will be bursting at the seams. Six hundred children in the WMEP School will tax the neighborhood park. Ms. Olk urged the HRA to think of the impact on the neighborhood that will live with it on a daily basis. She stated the development will sit at the entrance to a neighborhood and it is too large. The traffic will be horrendous. Chair Smith reminded that the WMEP proposal is just one of many that have been reviewed for the Kunz/Lewis site. He noted that previously an office development had received approval, but did not move forward because the developers chose not to proceed, adding he was unsure whether the neighborhood approved the office concept. Commissioner Faust commented that she was on the Planning Commission when the office development was approved and the neighbors had supported the development.

Darleen Roach Bastian, 5257 Richwood Drive, stated she is not sure the WMEP School is needed in Edina. Ms. Bastian added she liked the proposed Senior Center and library, but does not think Edina needs the WMEP School. Ms. Bastian would support a multi-use development. However, traffic on Eden is terrible and the proposed redevelopment will not help the situation. Ms. Bastian suggested the City look at other proposals as modules for development, using components of the various proposal to formulate a sound general plan. Then TIF dollars could be used to finance the development. She urged the HRA not to sign the Letter of Intent and take more time to review the proposal.

Bill Marty stated he has a chiropractic practice in the building at 5244 Eden. Mr. Marty said his practice has been in the Noonan building for approximately ten years and if the WMEP proposal is built, he will have a very difficult time relocating. He expressed concern over the potential loss of the value of his leasehold improvements and the potential traffic issues on Vernon Avenue. Mr. Marty said there are many seniors in the area that travel to Jerry's for their shopping needs and believes that more evaluation of traffic is needed.

HRA Discussion/Action

Chair Smith explained that the HRA had asked the staff to prepare a non-binding Letter of Intent that would be circulated to the previously stated participants in the proposed development. There are two elements members of the HRA have identified that need amendments to the draft Letter of Intent: 1) Use of the Facilities and management of same; and 2) Reversionary right to the WMEP facility should it cease operation as a magnet school. The bottom line to the Letter of Intent is that if the HRA does not see the benefit and the ability of the City to make the development happen, then there will be no deal. Chair Smith noted that he believed anchors for the site would be a senior center and library. If WMEP is not a part of the development, a commercial development that

includes the senior center and library will be the type of development Edina citizens have come to expect. Chair Smith said that currently WMEP is on the top of the list for developers, but it will only stay there by its own actions not those of the HRA.

Member Maetzold made a motion to adopt the Letter of Intent and Member Kelly seconded the motion. Chair Smith asked for any amendment to the Letter of Intent as it was drafted.

Commissioner Kelly moved amending the Letter of Intent as previously stated. Chair Smith reiterated that the previously stated amendments included: 1) management (use and scheduling) of the gymnasiums and theater and 2) Reversionary right to the WMEP facility if the school ceases operation as a magnet school. **Chair Smith seconded the amendment.**

Ayes: Kelly, Maetzold, Smith

Nay: Faust

Amendment carried on a 3-1 vote.

Commissioner Maetzold questioned whether or not the Letter of Intent should be amended to include a more equitable sharing of the land acquisition costs. Commissioner Kelly agreed with amending the Letter of Intent to reflect an equitable sharing of land costs. He believes this is even more important now that he knew the values stated are assessed and not appraised values. He continued that the Letter is non-binding and states that it is not a contract. Commissioner Maetzold said he raises this as a question so that all parties are aware of the HRA's position on the land acquisitions. Chair Smith agreed that the HRA's position should be incorporated into the Letter of Intent, but suggested that a broader statement of the position that the HRA must either see a pro-rata sharing of the land costs or WMEP must make a case for benefit to the City.

Commissioner Faust said that she thought the benefits were a done deal. The only reason the City would participate in the project was because of the benefits. Commissioner Kelly commented that the pro-rata sharing of land costs could be stated in the Letter of Intent.

Commissioner Maetzold made a motion that the Letter of Intent be amended to reflect the HRA's desire for a pro rata sharing of land acquisition costs by the participants in the project and Member Kelly seconded the motion.

Ayes: Kelly, Maetzold, Smith

Nay: Faust

Amendment carried on a 3-1 vote.

Commissioner Faust stated that according to the auditors; everything must run perfectly. The amounts stated by Ehlers must be adhered to perfectly or the project will not work. The cash flow will not work. The building that will be built by Jerry's must be a certain number of square feet, must be completed by a certain time, and also must be constructed for the exact dollars stated or the finances will not work. She stated that she could not vote for something that she believes from the beginning will not work.

Commissioner Kelly stated that he does not support the WMEP Program, that instead, he supports neighborhood schools, and in his opinion, the WMEP approach is going in the wrong direction. He raised the concern before that he would like to see WMEP establish a track record before building another school. Commissioner Kelly said that in spite of his opinion he would support the proposal because it addresses several civic concerns that were expressed to him when he ran for the City HRA. He supports the library and senior center, thinks that the theater would be a nice amenity, and added that Edina desperately needs gymnasiums. For those reasons Commissioner Kelly believes the WMEP development is a good development. He added that most importantly the School District has pointed out that if there is no WMEP then there will be no relocation of the Edina Bus Garage. Commissioner Kelly noted that for many years he has thought the Bus Garage site to be a blight and in need of redevelopment in the Grandview Area. To get the Bus Garage site redeveloped and back on the tax rolls is a major reason that he supports the proposal. Finally, he observed that in his

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opinion; the WMEP school is merely a token at establishing diversity. If diversity is truly desired Commissioner Kelly suggested a greater focus be placed on open enrollment. He added that he has seen an initiative from Representative Myron Orfield and others to change the way the school districts function. He believes a good point was brought up that local jurisdictions need to show that they support state presented initiatives in order to identify as a team player, even if they do not agree with totally with all points of the program. Commissioner Kelly concluded that he believed there were enough countervailing measure for him to support the HRA taking the next step in adopting the Letter of Intent. He acknowledged Commissioner Faust's concerns and in his opinion; financing will probably not come together for the deal. However, he supports the attempt to move forward.

Commissioner Maetzold said that over the past two years as the Kunz/Lewis site has been reviewed; he had advocated using the site for a public purpose and for private development. He believes there are a number of public uses that need to be addressed in Edina, that this is an ideal site to address several of those needs, and the redevelopment proposal is answering several of those needs. Commissioner Maetzold said he supports WMEP because it is a partnership with other communities, enabling collaboration in addressing an educational need. He believes it is a good educational concept worth pursuing and testing. Commissioner Maetzold stated WMEP would provide benefit to the Edina School District by providing a few extra classrooms, because some Edina students can attend the magnet school; giving Edina students an additional program option; enabling Edina to clean up the Bus Garage site, which has been a problem for many years; and providing for a senior center, library and performing arts theater. Commissioner Maetzold favored the Letter of Intent, noting it was not binding, but would get participants moving in the same direction to see if the project was possible.

Commissioner Faust stated she wanted to comment on the process. She came onto the City Council thinking that the members shared their views with the public and asked the public for input to make decisions. She stated that the City asked the School Board to have an open meeting over a year ago, then she called for an open meeting in September and again in December of 1998. Every question has been answered with responses that say ask someone else. Commissioner Faust asked who WMEP was. In her experience, WMEP is a phone number with a phone recorder, and they do not answer questions. The Edina School Board states WMEP is not their purview, and she is disturbed that the process has not been open and the maximum amount of people have not been able to comment on the proposal before this points. She stated that she was very surprised at Dr. Dragseth's comment reported in the Edina Sun Current that he did not think the Edina Chamber of Commerce could comment at this late date. The fact is that no one had any opportunity to comment except for the small neighborhood until last week. Commissioner Faust said she is disturbed by the fact that the process has not been open by the School District. She said attempts have been made to request the process be more open, and she felt suspicious because it was so closed.

Chair Smith said he believed that the concerns heard are shared by all. He does not know of anyone who does not share concern over the issues and benefits of the WMEP proposal. The development has many benefits to Edina. As the HRA has talked about what Edina wants and needs, he began to think that a great deal of benefit to the City will be realized if a regional school could be built. Chair Smith favored the Letter of Intent because it moves this proposal to the next step. He noted that the property has been under debate for at least ten years. The City has owned the property for two years and Chair Smith believes the Letter of Intent will draw the question to an end. If the proposal does not work, then the City must look around for another development, but if the WMEP proposal does work, the benefits to the City far outweigh any detriments of locating a regional school on the site. Chair Smith called the question on the Letter of Intent as amended.

Ayes: Kelly, Maetzold, Smith

Nay: Faust

Motion carried.

CLAIMS PAID Commissioner Maetzold made a motion to approve payment of the HRA Claims as shown in detail on the Check Register dated March 31, 1999, and consisting of one page totaling \$81,392.56. Commissioner Faust seconded the motion.

Rollcall:

Ayes: Faust, Hovland, Maetzold, Smith

Motion carried.

There being no further business on the HRA Agenda, Chair Smith declared the meeting adjourned at 10:20 p.m.

Executive Director